GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:898
ANSWERED ON:28.11.2006
FOREIGN DIRECT INVESTMENT IN THE INDUSTRIALLY BACKWARD STATES
Agarwal Shri Dhirendra;Renge Patil Shri Tukaram Ganpatrao

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether a major chunk of the foreign direct investment approved during January 1999 up to 31st December, 2005 has gone to most industrialised States;

(b) if so, whether the Government proposes to provide more incentives for foreign direct investment in the selected industrially backward States;

(c) if so, the details thereof;

(d) whether the share of foreign direct investment by main investors like USA and Japan in India is merely one per cent of the total foreign direct investment made by them globally and whether they are more interested in investing in other countries in Asia-Pacific region;

(e) if so, the reasons therefor;

(f) the reasons behind such a large gap in the amount of approved foreign direct investment and the actual investment;

(g) the steps being taken by the Government to reduce this gap; and

(h) the success achieved by the Government through these steps?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR)

(a): Statement showing state-wise break-up of Foreign Direct Investment (FDI) approved during January 1999 to December, 2005 is at Annex.

(b) & (c): Government has put in place a liberal and investor-friendly policy on Foreign Direct Investment (FDI) under which FDI up to 100% is permitted on the automatic route in most sectors / activities. Under the liberalized economic environment, investment decisions, including choice of location, are taken by the entrepreneurs based on their commercial judgement and other relevant factors which may include investment climate in different States, quality and availability of necessary infrastructure, simplification of regulatory process etc. The FDI policy applies uniformly across the country with no special dispensation for any particular state or region.

(d) & (e): As per the World Investment Report 2005 published by the United Nations Conference on Trade and Development and Reserve Bank of India (RBI) data, the FDI inflow into India from USA and Japan is less than 1% of their total outflow. FDI inflows depend on various factors both external and internal. Besides the macro-economic environment in the host economy, global economic environment, corporate strategy of the transnational corporations, and economic situation in other FDI destinations play a major role.

(f) to (h): Approval for foreign direct investment accorded by the Government reflects the intent of the entrepreneur to invest in a particular State / Sector. However, a large number of approvals / clearances such as allotment of land, power connection, registration of factories, administration of land laws, sales tax, etc. are to be accorded by the State Government. Furthermore, implementation of projects may have a long gestation period. In such cases the investment is not received immediately but over a period of time depending on the need of capital at various stages of project implementation.

ANNEX

STATEMENT REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION NO. 898 FOR ANSWER ON 28.11.06
STATEMENT ON STATE WISE BREAK-UP FOR FOREIGN DIRECT INVESTMENT (FDI) APPROVED BY Government DURING JANUARY 1999 To DECEMBER 2005

(Amount in crore)

S.No	Name of the State	No. of Approvals	Amount of Foreign Direct Investment Approved (in Rs) Financial	% to Total
1	MAHARASHTRA	2629	21,968.95	22.78
2	DELHI	1936	12,604.12	13.07
3	TAMIL NADU	1296	10,692.65	11.09
4	KARNATAKA	1517	9,270.76	9.61
5	GUJARAT	331	5,723.06	5.93
6	ANDHRA PRADESH	633	3,987.62	4.14
7	WEST BENGAL	258	2,251.99	2.34
8	MADHYA PRADESH	54	2,247.67	2.33
9	UTTAR PRADESH	236	1,937.81	2.01
10	HARYANA	227	1,749.53	1.81
11	PUNJAB	57	1,236.32	1.28
12	KERALA	184	1,217.16	1.26
13	PONDICHERRY	50	932.66	0.97
14	HIMACHAL PRADESH	17	891.48	0.92
15	RAJASTHAN	81	791.13	0.82
16	BIHAR	6	631.95	0.66
17	GOA	157	570.25	0.59
18	ORISSA	24	472.70	0.49
19	CHATTISGARH	7	216.24	0.22
20	CHANDIGARH	57	186.17	0.19
21	DAMAN & DIU	15	40.59	0.04
22	DADRA & NAGAR HAVELI	3	35.95	0.04
23	JHARKHAND	8	26.80	0.03
24	UTTARANCHAL	13	10.71	0.01
25	TRIPURA	2	2.41	0.00
26	MIZORAM	1	1.52	0.00
27	ASSAM	2	0.91	0.00
28	JAMMU AND KASHMIR	1	0.40	0.00
29	MEGHALAYA	1	0.00	0.00
30	MANIPUR	1	0.00	0.00
31	ANDAMAN & NICOBAR	1	0.00	0.00
32	State Not Indicated	987	16,732.87	17.35
	Grand Total	10792	96,432.39	